

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|-----------------------------|---|---------------|
| APPLICATION BY JOHNSON AND |) | |
| ROBERTS REQUESTING APPROVAL |) | CASE NO. 9718 |
| OF TRANSFER OF STOCK |) | |

O R D E R

On October 17, 1986, the Commission received an application from Gary C. Johnson and C. D. Roberts, both of Pikeville, Kentucky, requesting that the Commission approve the transfer and sale of the stock of Capitol Resources, Inc. ("Capitol Resources"). Capitol Resources is a corporation having Capitol Oil Company, Inc. ("Capitol Oil"), a public utility, as an asset.

On December 10, 1986, the Commission issued an order requesting additional information. The Commission required clarification on the details of the transfer and copies of the pertaining documents. Additional information was also required to determine the relationship between Capitol Oil's operation and finances and the holding company, Capitol Resources.

A hearing was not requested in this matter, and none was conducted. The decision of the Commission is based upon the application, written submission by the applicant, and other documents available in the Commission's offices.

COMMENTARY

Capitol Resources is engaged primarily in the production and transmission of natural gas through its subsidiary, Capitol Oil Company. Capitol Oil is an intrastate natural gas distribution utility operating in the Commonwealth of Kentucky.

On September 4, 1986, Gary C. Johnson and C. D. Roberts entered into an agreement with Mrs. D. A. Fassas, chairperson of the Board; Alexander D. Fassas, president and chief executive officer; Karen E. Fassas; Thomas M. Fassas; Big Red Investment Company; and the D. A. Fassas Marital Trust for purchase and sale of 59,418 common shares for \$8 per share. These 59,418 shares represent approximately 53 percent of the outstanding shares of Capitol Resources. The purchasers have also purchased stock from minority shareholders and now own approximately 73 percent of stock in Capitol Resources.

On August 14, 1986, the Commission issued an Order (Case No. 9659) directing Capitol Oil to appear and show cause why it should not be fined for repeated violations of the Commission's regulations, particularly its gas safety regulations, and to present evidence of a schedule to correct these deficiencies. A hearing was conducted on September 17, 1986. On the basis of the evidence submitted at the hearing, a progress report filed by Capitol Oil, and a follow-up inspection conducted by the Commission on October 20, 1986, subsequent to the hearing, the Commission concluded that significant progress had been made toward compliance, but that certain additional work still was required. The Commission also levied a personal fine against Mr. Fassas in the amount of \$4,000

for his failure to comply with the Commission's regulations and for his failure to respond to the Commission's 1985 and 1986 correspondence. On December 18, 1986, Mr. Fassas paid the fine.

Capitol Oil's new management has made significant improvements to the existing system. They have been consistent in complying with the Commission's rules and regulations, upgrading the system, and making it safer.

FINDINGS AND ORDERS

After reviewing the record and being fully advised, the Commission is of the opinion and hereby finds that:

1. An application has been made to the Commission by Johnson and Roberts, the prospective owners and operators, to authorize the transfer of stock of Capitol Resources.

2. The new owners and operators are ready, willing, and able to operate Capitol Oil in compliance with the Commission's regulations.

3. The customers of Capitol Oil will best be served by approving the sale agreement and transfer of stock requested in this proceeding.

4. Johnson and Roberts should submit to the Commission a copy of any new contract signed with Pan Bowl Production Company.

IT IS THEREFORE ORDERED that:

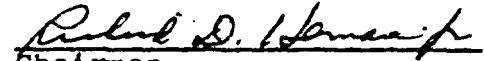
1. The application made by Johnson and Roberts to transfer the stock of Capitol Resources is approved.

2. Capitol Oil shall submit to the Commission a copy of any new contract signed with Pan Bowl Production Company.

3. Capitol Oil shall issue, file and post an adoption notice pursuant to 807 KAR 5:011, Section 11.

Done at Frankfort, Kentucky, this 19th day of February, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director